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GSU
Economic
Forecasting
Project
Newsletter

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Monthly Projections for Early May

REAL ACTIVITY PLUNGES AT DOUBLE-DIGIT RATE IN APRIL

April's collapse in economic activity was confirmed by a 1.3% decline in the index of hours worked. This decline rivals the largest monthly weakness recorded during the 1973-75 recession. Moreover, an abrupt decline in economic activity almost never can be fully adjusted in the index of hours worked during the month that a rapid decline begins. Thus, real economic activity undoubtedly declined by double-digit rates during April. Our own monthly estimates of real economic activity show that real GNP in April fell nearly 2% below GNP in December. Unfortunately, nothing suggests that this April weakness will be as fleeting as the economic decline that occurred last April.

Recessionary weakness is not occurring only in the automobile, housing, and farm sectors. Only 28% of all industries recorded any increases in employment during the month of April. While employment was weakening by more than 3% in the transportation and building materials industries, it also began to decline in fabricated metals, rubber and plastics, transportation services, wholesale trade, and retail trade. Geographically, the unemployment rate increased by more than a percentage point in California, Michigan, Ohio, and Pennsylvania. On the other hand, the unemployment rate actually decreased in New Jersey and Texas and remains very modest in Florida and Massachusetts. The apparel and textiles industries have not yet felt any weakness. However, the credit restrictions that were imposed in mid-March appear to have stifled consumer activity. Further weakness almost certainly will be registered in the employment statistics in the months ahead.

Of course, the employment statistics are preliminary and may be revised substantially in the months ahead. However, the dramatic reversal in credit markets clearly shows that demand is collapsing. The largest single monthly decline in short-term interest rates ever recorded appears to have occurred despite a substantial reduction in the money supply. Recent changes in banking regulations have reduced the interest sensitivity of the economy. As a result, small changes in economic activity can lead to dramatic changes in interest rates. However, the strength of the bond market rally has far surpassed any previous projections. Only the dramatically low estimates of economic activity that we are projecting for

for April can begin to explain the magnitude of that dramatic reversal of credit market pressures.

As the month unfolds, economic statistics should provide several surprises for the uninitiated. We estimate that April's personal income actually declined. Retail sales appear to have fallen so sharply that total personal outlays may fall in April. Industrial production is expected to decline more than 1.5%. Construction is unlikely to repeat last month's largest decline reported in the past 36 years, but a further large decline almost certainly occurred. Housing starts should fall below 1 million and may threaten the low point of the 1974-75 recession. We already know that farm prices registered a 4.5% decline, but some people remain skeptical that industrial prices will fall below the double-digit rate of increase, as shown by our price index survey. However, the dramatic reversal in short-term interest rates already is leading to declines in mortgage rates. Mortgage finance accounts for 10% of the consumer price index and has been increasing by 3% per month in the first three months of this year. When negative changes in that component begin to appear in May and beyond, more than 0.4% points will have been shaved from the monthly CPI as a result of that one category. When sharp decreases in agricultural prices and the slowing of energy prices also are considered, inflation may fall below the double-digit range for several months during the summer. When agricultural prices inevitably begin to rise by late summer, double-digit inflation may return.

(It should be noted that the quarterly profile presented in these monthly projections are derived from monthly estimates of economic activity that are estimated from an abbreviated model. They are highly suggestive of the economic path that we anticipate in the months ahead, and are especially valuable in measuring current conditions; but they should not replace the more complete quarterly projections that will be available in about a week.)

Monthly Highlights April 1980

Personal income, -0.1%; disposable income, -0.1%; personal outlays, -0.2%; retail sales, -1.3%; auto sales, 9.0 million; industrial production, -1.5%; housing starts, -7.9%; housing permits, -13.7%; construction expenditures, -5.0%; durable goods orders, -2.0%; orders for nondefense capital goods, -4.6%; business inventory, +0.8%; CPI, +0.9%; PPI, +0.3%; merchandise trade deficit, -\$2.83 billion; leading indicators, -1.6%; M1-B, -7.4%; M2, -0.2%.

Monthly Highlights May 1980

Payroll employment, -317,000; hours worked, -0.7%; unemployment, 7.1%; personal income, +0.4%; personal outlays, +0.5%; retail sales, -0.1%; auto sales, 8.7 million; industrial production, -0.7%; housing starts, -2.5%; housing permits, -1.7%; construction expenditures, -2.0%; durable goods orders, -1.6%; orders for nondefense capital goods, -2.0%; business inventories, +0.5%; CPI, +0.8%; PPI, +0.7%; agricultural prices, +1.5%; merchandise trade deficits, -\$3.42 billion; leading indicators, -1.2%; M1-B, +6.0%; M2, +8.1%.

Current Profile of GNP

	Adjusted % Change 1980-1	% Change 1980-2	% Change 1980-3	% Change 1980-4	% Change 1981-1
Change in Real Output	+1.7%	-9.0%	+1.2%	+1.2%	-0.8%
Price Deflator	9.4	9.6	9.0	11.4	9.7
Nominal GNP	11.2	-0.3	10.4	12.8	8.8

COMMENTARY

Employment

Both estimates of employment showed nearly a 500,000 erosion of jobs during April. Our estimates continue to show an unusual narrowing of the gap between the household and the payroll estimates of employment. Thus, rapid increases in unemployment may not persist in the next few months. On the other hand, the federal payrolls improved in April by 68,000 as a result of the hiring of census takers. In April, census takers accounted for nearly 150,000 jobs. By the end of June, those jobs will no longer exist.

According to the hourly earnings index, the anticipated wage explosion is not developing. In April, adjusted wages were only 8.3% above previous year levels. Some problems are developing in manufacturing and transportation, however, where hourly earnings are 9.2% and 10.3% respectively above previous year levels.

Personal Income and Outlays

March estimates of personal income were distorted upward by a one time \$1.9 billion distribution to California employees on their state sickness program. This led to an unexpected reduction in the employee contribution to social insurance. In April, a return to more normal contribution levels will tend to lower the estimates of personal income. Because of upward revisions in estimates of payroll employment and hourly earnings for February and March, it appears that the wage and salary component of personal income will be revised upward by about \$2 billion for both of those months. These revisions have not been included in our data, but they have been incorporated in our projections. The credit restrictions which were announced on March 14 appear to have increased the savings rate slightly. However, we have had some difficulty in deriving estimates of personal outlays from the appropriate components in the report on retail sales.

We believe personal outlays probably declined slightly in April despite estimates of declines in retail sales which are no greater than in the two previous months. First, employment in the service industries showed little

growth in April, suggesting that expenditures on services probably slowed from the nearly \$10 billion per month rate of increase that has been registered in recent months. Second, the weakness in retail sales is largely concentrated in durable goods activity. Apparently, durable goods sales translate more easily into the estimates of personal outlays than is the case for nondurable goods activity. With inflation unwinding so dramatically, and unemployment rising substantially, the savings rate could leap upward. Such an outcome has not been anticipated in this already dismal report.

Construction

In Atlanta and other previously strong housing areas, the slump did not begin until the second half of March. Thus, further weakness almost certainly is assured for April. In March, the index of hours worked in construction slumped 7%, which was followed by a 5.5% reduction in real construction expenditures. In April, the index of hours worked fell another 3%. Thus, another substantial decline in real construction expenditures is almost certain.

The good news in construction is that the entire economy is weakening so rapidly that short-term interest rates are falling well below previous anticipations. The six-month money market certificate and the 30-month certificates have increased the sensitivity of the cost of money in lending institutions to changing short-term rates. The cost of funds acquired by savings and loan associations will fall substantially in May. Already, the FHA and VA mortgage rates have fallen from their 14% April peaks. Conventional mortgage rates are expected to begin declining below 14% before the end of May. While the slow decline in the prime rate will continue to delay construction activity until most of the building season has passed, it now appears that housing starts will not fall below 1 million for the year. Our current estimates are 1.16 million starts in 1980. Moreover, housing may prevent the current recessionary free-fall from developing into a 1975 bust.

The preliminary estimates for March also show that inflation will not be intense in construction. The implicit price deflator for construction remained unchanged between November and January before jumping a full percentage point in February. However, the index then declined 0.3% in March and is expected to show another modest decline in April. While construction inflation is expected to reappear in the second half of 1980, after housing activity has bottomed out, inflation will be less intense in this sector than previously expected.

Business Activity

Signs of unanticipated inventory investment appeared in the March index for manufacturing inventories. Apparently, the 7 million unit production schedule programmed for April did not coincide with the 6 million sales levels for domestic automobiles. Thus, another substantial increase in manufacturing inventories probably developed in April. Some analysts are anticipating that further accelerations in unanticipated inventories will require substantial increases in credit market pressures during the next few months. While such an outlook cannot be completely dismissed, final sales appear to have plunged at a double-digit real rate of decline during April without creating any

substantial increase in unanticipated inventories. High interest rates and credit restrictions appear to be responsible for this unusually rapid adjustment of inventories to changing sales conditions. As it is unlikely that final sales will continue to plunge at the April rate, unanticipated inventories will become less and less likely in the months ahead. It should also be noted that the dramatic reduction in some industrial prices is leading to one of the most rapid reversals in estimates of inventory valuations. Thus, even unanticipated inventories will be expanding at a smaller dollar rate of increase than would develop without this significant moderation of industrial inflation.

The sharp increase in nondefense capital goods orders for March runs counter to prevailing economic conditions. Indeed, all other durable goods tended to decline. The drop in durable goods orders could be even more dramatic in April, as vanishing steel orders, reduced auto shipments, and a slide in nondefense orders all should coincide.

One explanation given for sharp increases in defense shipments in March is the desire of defense contractors to receive payments on their orders as quickly as possible. In other words, defense contractors have been using the procurement process to finance their alternative activities. Now that interest rates have subsided, defense shipments ought to slow and could even decline for short periods of time in some future months.

Financial Markets

A brief study of the preliminary estimates of interest rates during April seems to confirm that declining economic activity was responsible for the dramatic reversal in credit market pressures. Indeed, the federal funds rate actually averaged higher in April than in March while all other rates moved downward. The fact that the monetary aggregates declined in April merely confirms that demand conditions were responsible for the interest rate peak. In May, some ease in supply conditions is anticipated. Given the likelihood that economic activity will continue to decline, most rates should be below their fall levels before the beginning of summer.

At the present time, we are assuming that the especially restrictive monetary policy currently in place will be eased. While fiscal policy is expected to remain relatively tight, some moderation is anticipated by the end of the year. Under these assumptions, and given the dramatic way by which final demand is eroding at the current time, some improvement in economic activity is anticipated during the summer. Moreover, agricultural inflation is expected to accelerate sharply in the second half of 1980. Industrial inflation also may become more intense following the unwinding of international speculative positions. Thus, most interest rates may reach temporary bottoms by the beginning of summer. Of course, a continuation of very restrictive monetary policy probably would lead to a substantial change in the consumer savings rate. Under such conditions, industrial inflation would be modest and recessionary pressures would remain intense through most of the year. In that case, most interest rates would be well into single digit levels by the fall. While this latter condition is not likely, it is possible. Therefore, greater investment opportunities probably could be lost by waiting for a correction in the bond market than by fully committing long-term investment positions at the present time.

Stock Market

At the present time, the stock market appears to be cheered by the decline in interest rates and is ignoring the equally severe decline in earning potential. As the drop in interest rates is a fact, while the decline in earnings remains a conjecture, the market has decided to move towards the upside. The severity of the April decline in economic activity could lead to shockingly abrupt reductions in earnings projections for many basic industries. While the erosion of inventory profit is reducing genuine profits by a far smaller amount than after tax profits, some downside risk must exist in equity values of the current time. A testing of the 740 level still seems warranted.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Employment		Unemployment Rate		Hourly Earnings Index	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
Nov. 1979	90100	90100	126.3	126.3	97608	97608	5.8	5.8	237.3	237.3
December	90231	90241	126.7	126.6	97912	97912	5.9	5.9	239.3	239.5
January	90536	90652	126.7	127.1	97804	97804	6.2	6.2	239.8	240.5
February	90602	90845	126.9	126.8	97918	97953	6.3	6.0	241.5	242.6
March	90668	90799	127.0	126.1	98032	97656	6.3	6.2	243.2	245.1
April	90875	90320	126.8	124.5	98305	97154	6.2	7.0	245.3	245.6
May	90878	90013	126.6	123.6	98408	96989	6.3	7.1	246.8	247.5
June	90881	89934	126.4	123.3	98511	97006	6.4	7.3	248.4	249.7
July	90915	90003	126.5	123.3	98543	97146	6.4	7.4	250.0	251.7
August	90973	90088	126.5	123.6	98576	97214	6.5	7.5	251.9	252.9
September	91031	90240	126.5	123.9	98609	97383	6.6	7.5	253.8	254.9
October	91055	90403	126.5	124.3	98653	97569	6.7	7.6	255.0	256.6
November	91086	90611	126.5	124.5	98722	97814	6.7	7.6	257.2	258.7
December	91117	90591	126.6	124.2	98791	97767	6.8	7.8	258.9	260.8
January	91145	90677	126.7	124.5	98846	97886	6.9	7.9	260.7	261.9
Feb. 1981	91346	90583	126.9	124.2	99026	97752	6.9	8.2	263.5	263.9

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
Nov. 1979	2.000	2.006	1.271	1.271	60.9	59.7	1.678	1.683	1.618	1.624
December	2.023	2.028	1.282	1.283	44.9	57.0	1.695	1.701	1.650	1.644
January	2.036	2.047	1.290	1.293	48.3	59.0	1.714	1.728	1.666	1.669
February	2.055	2.054	1.301	1.301	51.9	58.0	1.729	1.735	1.677	1.677
March	2.073	2.069	1.311	1.310	53.5	59.8	1.743	1.747	1.690	1.687
April	2.090	2.067	1.320	1.303	56.0	62.4	1.756	1.746	1.700	1.683
May	2.107	2.076	1.326	1.305	57.6	61.7	1.769	1.752	1.711	1.691
June	2.122	2.091	1.332	1.312	59.2	59.3	1.781	1.764	1.722	1.705
July	2.153	2.119	1.341	1.322	70.5	67.8	1.808	1.787	1.738	1.720
August	2.171	2.137	1.351	1.332	66.3	68.8	1.822	1.802	1.755	1.735
September	2.189	2.158	1.361	1.345	62.9	68.4	1.835	1.819	1.772	1.751
October	2.209	2.182	1.378	1.362	67.3	74.1	1.849	1.838	1.782	1.764
November	2.222	2.202	1.383	1.375	64.3	71.6	1.860	1.854	1.796	1.783
December	2.236	2.217	1.390	1.382	64.3	74.6	1.871	1.867	1.807	1.793
January	2.250	2.226	1.398	1.391	64.7	67.3	1.881	1.873	1.818	1.806
Feb. 1981	2.269	2.240	1.416	1.397	65.2	69.7	1.906	1.885	1.841	1.816

Fore. = February Forecast
C. E. = Current Expectations
N. C. = No Change Computed

RETAIL SALES

	Retail Sales		Non Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
Nov. 1979	76.18	76.42	11.23	11.16	9.6	9.6	50.93	50.74	14.02	14.52
December	77.02	77.15	11.40	11.33	10.5	10.5	51.36	51.21	14.26	14.62
January	78.18	79.46	11.60	11.58	11.5	11.6	51.78	52.20	14.80	15.69
February	78.35	78.21	11.58	11.44	10.5	10.5	52.12	51.63	14.65	15.15
March	78.69	77.22	11.59	11.51	9.5	10.1	52.63	51.67	14.47	14.05
April	78.89	76.25	11.63	11.48	9.3	9.0	53.03	51.83	14.23	12.94
May	79.10	76.17	11.64	11.53	9.2	8.7	53.44	52.00	14.02	12.64
June	79.39	76.65	11.66	11.67	9.2	8.8	53.92	52.09	13.81	12.89
July	80.04	77.67	11.69	11.80	9.2	8.9	54.48	52.74	13.87	13.13
August	80.75	78.62	11.86	11.93	9.2	8.8	54.95	53.59	13.94	13.10
September	81.48	79.72	11.88	12.09	9.2	8.9	55.46	54.32	14.14	13.31
October	81.74	80.43	11.80	12.05	9.0	9.3	55.93	54.31	14.01	14.07
November	82.36	81.79	11.90	12.13	9.1	9.5	56.31	55.07	14.15	14.59
December	82.67	81.93	11.91	12.12	9.0	9.3	56.65	55.49	14.11	14.32
January	83.03	82.78	11.95	12.18	9.0	9.4	56.99	56.08	14.23	14.52
Feb. 1981	84.08	82.03	12.16	12.16	8.9	9.0	57.57	55.91	14.35	13.96

INDUSTRIAL PRODUCTION

	Industrial Production		Capacity Utilization	
	Fore.	C. E.	Fore.	C. E.
Nov. 1979	151.8	152.1	84.4	84.3
December	152.2	152.2	84.4	84.0
January	152.2	152.7	84.2	84.1
February	152.4	152.4	84.1	83.9
March	152.3	151.2	83.8	83.0
April	151.3	149.1	83.0	81.6
May	150.1	148.0	81.8	80.6
June	149.3	147.6	81.0	80.1
July	149.0	147.5	80.6	79.8
August	148.8	147.8	80.3	79.7
September	148.5	148.2	80.0	79.7
October	148.3	148.7	79.7	79.9
November	148.0	148.8	79.3	79.7
December	147.8	148.5	79.1	79.3
January	147.7	148.8	78.7	79.3
Feb. 1981	147.6	148.5	78.4	78.9

Fore. = February Forecast
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HOUSING

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
Nov. 1979	1.522	1.522	0.966	0.980	1.263	1.263	237.4	237.7	114.7	114.5
December	1.527	1.517	0.972	1.036	1.204	1.244	239.6	242.0	115.8	116.6
January	1.473	1.419	0.963	1.002	1.210	1.264	239.8	250.0	114.9	120.4
February	1.451	1.332	0.936	0.789	1.194	1.142	238.9	243.1	113.3	115.9
March	1.429	1.041	0.909	0.606	1.183	0.941	238.0	229.0	111.8	109.5
April	1.306	0.959	0.852	0.543	1.062	0.812	235.8	217.6	110.1	104.2
May	1.249	0.935	0.786	0.509	1.006	0.798	234.7	213.3	109.0	101.4
June	1.258	0.982	0.720	0.533	1.022	0.863	233.6	215.2	107.9	101.5
July	1.286	1.055	0.783	0.592	1.057	0.923	234.1	221.0	107.3	103.4
August	1.331	1.130	0.838	0.651	1.116	1.006	234.7	226.2	106.6	104.9
September	1.415	1.208	0.893	0.713	1.186	1.023	235.3	231.9	106.0	106.7
October	1.389	1.319	0.862	0.816	1.174	1.143	237.0	239.2	106.2	109.2
November	1.420	1.292	0.889	0.799	1.201	1.073	239.2	242.4	106.5	109.6
December	1.451	1.261	0.916	0.815	1.235	1.109	241.4	246.2	106.8	110.5
January	1.483	1.347	0.947	0.882	1.268	1.178	243.3	248.7	107.1	110.7
Feb. 1981	1.615	1.454	1.056	0.963	1.417	1.213	246.7	252.1	107.7	111.3

HOUSING CONTINUED

	Private Non Residential		Public Construction		Residential Construction	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
Nov. 1979	86.4	84.7	51.9	51.9	99.1	101.1
December	88.6	87.9	51.2	52.1	99.8	102.0
January	88.7	90.9	51.8	59.4	99.3	99.7
February	88.8	89.0	52.5	56.4	97.6	97.7
March	88.9	86.8	53.2	52.6	95.9	89.7
April	90.6	84.7	53.1	51.7	92.1	81.2
May	91.4	87.5	53.6	52.3	89.7	73.5
June	92.2	89.1	54.1	52.9	87.3	73.2
July	93.0	91.2	54.5	53.6	86.6	76.2
August	93.4	91.0	54.8	54.1	86.5	81.1
September	93.8	90.8	55.1	55.0	86.4	86.1
October	94.5	93.2	55.6	54.6	85.9	91.4
November	95.3	92.2	56.0	55.1	87.9	95.1
December	96.1	94.5	56.4	55.3	88.9	96.4
January	96.9	95.6	56.8	56.4	89.9	96.7
Feb. 1981	97.7	95.1	57.3	57.0	91.7	100.0

Fore. = February Forecast

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BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-defense Capital Goods Orders		Non-defense Capital Shipments	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
Nov. 1979	226.2	226.2	75.42	75.42	21.42	21.42	19.60	19.60
December	228.1	228.1	76.67	77.75	22.77	22.86	20.17	20.22
January	230.3	232.0	78.43	82.03	22.95	23.87	20.21	21.02
February	232.7	234.8	76.13	81.88	21.63	22.09	20.26	21.38
March	235.3	238.1	75.87	79.14	21.42	23.47	20.31	21.82
April	238.1	241.0	75.26	77.53	21.09	22.39	20.53	22.09
May	240.4	242.6	76.12	76.29	21.15	21.95	20.73	22.03
June	242.7	244.1	76.85	76.53	21.27	22.43	20.93	22.25
July	245.0	245.6	77.71	76.96	21.53	22.72	21.15	22.31
August	246.9	246.6	80.15	77.79	23.41	22.88	21.07	22.45
September	248.6	247.5	79.92	77.95	22.28	22.51	20.99	22.38
October	249.7	248.5	80.68	79.14	22.73	22.93	21.18	22.23
November	251.4	249.6	81.21	79.63	23.15	23.15	21.37	22.29
December	253.0	250.6	81.59	80.29	23.39	23.17	21.56	22.42
January	254.6	251.5	81.92	82.14	23.52	23.51	21.74	22.95
Feb. 1981	256.1	252.3	82.73	80.96	23.89	23.29	22.06	23.30

	Business Inventories		Defense Shipments	
	Fore.	C. E.	Fore.	C. E.
Nov. 1979	434.2	424.4	3.14	3.14
December	427.9	426.3	3.23	3.18
January	431.5	431.5	3.24	3.19
February	435.3	434.8	3.25	3.24
March	439.8	440.3	3.26	3.39
April	444.2	443.8	3.32	3.43
May	447.9	446.0	3.38	3.48
June	452.7	448.5	3.44	3.52
July	455.3	450.5	3.47	3.57
August	458.8	452.1	3.51	3.63
September	462.9	454.0	3.55	3.65
October	464.9	456.2	3.60	3.71
November	468.3	459.0	3.65	3.66
December	471.7	461.8	3.70	3.75
January	474.4	464.1	3.75	3.80
Feb. 1981	476.8	466.8	3.79	3.84

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N. C. = No Change Computed

PRICES

	CPI (unadjusted)		PPI Finished Goods		PPI-Industrial Commodities (unadjusted)		Agricultural Prices (unadjusted)		IVA Corp. (annual rate)	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
Nov. 1979	227.5	227.5	225.9	225.9	250.2	250.6	238	238	44.3	49.3
December	229.9	229.9	227.8	227.8	252.8	252.8	238	238	42.9	51.8
January	232.5	233.2	230.9	232.1	256.9	260.3	237	236	53.1	62.2
February	234.8	236.4	233.0	235.4	260.2	265.4	240	238	54.2	74.5
March	237.1	239.8	235.2	238.2	263.5	268.2	241	234	55.3	68.1
April	239.9	242.0	237.8	239.4	267.1	269.5	249	225	50.6	52.7
May	242.8	244.0	240.6	241.1	270.8	271.9	251	228	45.5	33.6
June	245.7	245.7	243.3	243.0	274.5	273.6	260	232	40.4	26.6
July	247.9	247.4	245.5	244.5	277.2	275.5	267	235	39.6	24.0
August	250.2	249.3	247.6	246.7	279.3	277.7	264	237	38.4	25.1
September	252.5	251.3	249.9	248.9	281.4	279.6	269	238	37.2	29.5
October	254.3	253.5	251.7	251.2	284.4	284.4	264	236	34.1	34.3
November	256.1	256.0	253.4	254.1	287.3	286.6	261	240	33.2	39.9
December	257.9	258.6	255.1	256.5	290.2	289.5	264	244	32.3	41.6
January	259.7	261.2	256.9	259.3	293.1	293.1	267	250	30.9	42.0
Feb. 1981	262.3	263.7	259.6	261.9	294.3	295.1	271	254	40.8	40.4

MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1972 \$)		Estimated GNP Deflator	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
Nov. 1979	-1420	-1620	136.6	136.0	2456	2458	1437	1441	1.7091	1.7059
December	-3080	-2923	136.6	135.6	2483	2485	1445	1447	1.7183	1.7169
January	-3055	-3597	136.9	135.2	2502	2516	1445	1454	1.7312	1.7305
February	-3099	-4407	137.3	134.8	2519	2523	1445	1446	1.7437	1.7448
March	-3143	-2080	136.6	131.3	2535	2530	1444	1439	1.7556	1.7581
April	-3329	-2825	135.7	129.2	2551	2515	1440	1420	1.7713	1.7712
May	-3428	-3423	135.2	127.7	2565	2517	1437	1410	1.7846	1.7851
June	-3527	-3914	134.6	127.9	2582	2532	1435	1408	1.7992	1.7983
July	-3411	-3849	134.1	128.2	2597	2559	1433	1413	1.8121	1.8107
August	-3373	-3486	134.5	128.6	2614	2583	1433	1416	1.8237	1.8239
September	-3335	-2932	135.4	128.3	2633	2611	1434	1422	1.8355	1.8366
October	-3026	-3014	136.5	128.0	2654	2642	1431	1422	1.8543	1.8577
November	-2975	-3219	137.1	127.6	2673	2662	1433	1421	1.8659	1.8733
December	-2924	-2765	137.9	127.9	2692	2685	1434	1421	1.8769	1.8900
January	-2865	-2689	138.6	128.3	2712	2704	1435	1420	1.8879	1.9046
Feb. 1981	-2699	-2893	139.3	128.1	2737	2720	1435	1418	1.9081	1.9177

Fore. = February Forecast

C. E. = Current Expectations

N. C. = No Change Computed

FINANCIAL MARKETS

Monetary

	Base		M1-B		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
Nov. 1979	152.7	152.7	N.C.	385.3	N.C.	1514.5	13.18	13.18	11.87	11.82
December	153.7	154.0		387.7		1524.2	13.78	13.78	12.07	11.84
January	155.1	155.0		389.0		1532.8	14.02	13.82	12.20	11.84
February	155.7	156.1		392.9		1546.5	14.39	14.13	12.39	12.86
March	156.3	156.9		392.2		1550.9	14.76	16.66	12.58	15.10
April	157.6	157.4		389.7		1550.7	14.65	18.59	12.55	13.62
May	158.8	158.4		391.6		1560.8	14.61	11.93	12.51	9.92
June	159.7	159.1		393.8		1571.2	14.57	10.21	12.47	9.01
July	160.6	159.7		396.2		1581.7	13.49	10.29	11.53	9.16
August	161.6	160.4		398.4		1593.6	12.64	10.46	10.95	8.97
September	162.5	161.0		400.7		1605.9	11.79	10.33	10.37	9.21
October	163.5	161.8		402.9		1618.8	11.36	10.58	10.16	9.45
November	164.5	162.6		404.2		1630.5	11.05	10.35	10.09	9.32
December	165.4	163.3		405.7		1641.4	10.69	10.76	10.02	9.57
January	166.3	164.3		408.8		1658.8	10.27	10.12	9.73	9.24
Feb 1981	167.7	165.4		410.4		1670.1	9.96	9.95	9.47	9.03

	Aaa (Seasoned)		Municipals		Commercial Paper		90 Day CD'S		Prime Rate	
	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.	Fore.	C. E.
Nov. 1979	10.76	10.76	7.30	7.30	13.62	13.57	14.00	13.90	15.55	15.55
December	10.74	10.74	7.22	7.22	13.17	13.24	13.43	13.43	15.30	15.30
January	11.21	11.09	7.51	7.35	13.63	13.04	13.92	13.39	15.45	15.25
February	11.77	12.38	7.89	8.16	14.05	13.78	14.29	14.30	15.93	15.63
March	12.33	12.96	8.32	9.17	14.53	16.76	14.72	17.55	16.12	18.64
April	12.05	12.22	8.07	8.63	14.62	16.26	14.91	16.82	16.38	19.36
May	11.92	10.36	7.96	7.15	14.60	11.28	14.85	11.66	16.35	17.25
June	11.79	10.05	7.90	6.96	14.58	9.62	14.72	10.15	16.21	14.81
July	11.63	10.17	7.73	7.02	13.74	10.09	13.99	10.53	15.45	12.96
August	11.47	10.29	7.59	7.08	12.91	10.45	13.11	10.87	14.72	12.75
September	11.31	10.37	7.47	7.10	12.03	10.55	12.36	11.06	14.02	12.75
October	11.15	10.42	7.36	7.12	11.55	10.78	11.84	11.21	13.25	12.75
November	11.05	10.36	7.29	7.05	11.26	10.42	11.49	10.95	13.03	12.75
December	10.95	10.53	7.17	7.12	10.82	10.72	11.09	11.23	12.42	12.75
January	10.82	10.30	7.06	6.93	10.52	9.92	10.75	10.31	12.00	12.36
Feb. 1981	10.68	10.12	6.98	6.79	10.16	9.73	10.48	10.09	12.00	12.00

Fore. = February Forecast

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N. C. = No Change Computed